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Message Text

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44
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
---------- 013716
R 151251Z MAR 76
FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC 4903
INFO AMEMBASSY CARACAS
AMEMBASSY JIDDA
AMEMBASSY LONDON

C O N F I D E N T I A L KUWAIT 1244

EXDIS

E.O. 11652: GDS
TAGS: ENGR, KU
SUBJECT: KUWAIT OIL COMPANY TAKEOVER AGREEMENT

REF: (A) STATE 061188, (B) KUWAIT 1124, (C) KUWAIT 4462

1. AS REQUESTED REFTEL (A), EMBASSY WILL ADVISE DEPARTMENT WHEN TAKEOVER AGREEMENT PUBLISHED IN OFFICIAL GAZETTE.

2. IN REFTEL (C) FORMER AMBASSADOR STOLTZFUS INDICATED SUPPORT FOR SOME KIND OF ACTION BY USG TO MAKE CLEAR TO GOK RESERVATION OF US RIGHTS WITH RESPECT TO TAKEOVER AGREEMENT. AT SAME TIME, HE CAUTIONED THAT SUCH ACTION COULD HAVE POSSIBLE ADVERSE EFFECT ON FUTURE GULF RELATIONS WITH GOK. HE ALSO SUGGESTED WE SHOULD HAVE CLEARLY IN MIND WHAT SPECIFIC LEGAL GROUND WE ARE ON IN MAKING STATEMENT AND WHAT LEGAL ACTIONS WE COULD TAKE TO MAKE IT STOCK IS KUWAITIS BROKE AGREEMENT IN SOME WAY. HE RECOMMENDED A FRIENDLY, LOW KEY APPROACH TO OIL MINISTER KAZEMI AND DELIVERY TO KAZEMI OF AN INFORMAL NOTE ON SUBJECT. FINALLY, HE REPORTED THAT BRITISH AMBASSADOR LAMB HAD CONCURRED IN HIS ANALYSIS AND SUGGESTED APPROACH.

3. AT TIME OF TRANSMITTAL OF ABOVE ASSESSMENT I MUST ADMIT THAT I WAS MORE CONCERNED THAN AMBASSADOR WITH POSSIBLE ADVERSE IMPLICATIONS OF PROPOSED ACTION ON FUTURE USG AND GULF RELATIONS
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WITH KUWAIT. I REMAIN SO, AT SAME TIME RECOGNIZING POSSIBLE

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NEED, BECAUSE OF BROADER US INTERESTS, FOR SOME KIND OF A DE-
MARCHE ON SUBJECT. WHAT I DO NOT UNDERSTAND IS WHAT WE HOPE
TO ACHIEVE. IF THE GOK BREAKS THE CONTRACT, SAY IN THE EVENT OF
ANOTHER OIL EMBARGO, WHICH IT MIGHT DO ANYWAY BEFORE ITS EXPIRA-
TION FOR MYRIAD OTHER REASONS, WHAT DO WE HOPE TO ACHIEVE BY
HAVING FORMALLY RESERVED US RIGHTS? I VERY SERIOUSLY DOUBT THAT
WE WILL DETER SUCH A KUWAITI ACTION BY PLACING ON RECORD OUR
RESERVATIONS AND AM CONCERNED THAT, BY SO DOING, WE MAY PRECIPITATE
THE BREAK WE ARE TRYING TO AVOID. (THE GOK ALREADY KNOWS THAT WE
CONSIDER IT UNACCEPTABLE BY INTERNATIONAL LEGAL STANDARDS TO WELCH
ON SUCH AN AGREEMENT.)

4. I AGREE WITH AMBASSADOR STOLTZFUS THAT THE KUWAITIS WILL BE
SHOCKED BY RECEIPT OF OUR PROPOSED NOTE AND WILL SPECULATE AS TO
ITS REAL MEANING AND POSSIBLE IMPLICATIONS. IT IS CONCEIVABLE
THAT A FORMAL NOTE WILL BE "REJECTED." IF LEAKED, EITHER
DELIBERATELY OR INADVERTENTLY, IN KUWAIT OR THE US IT COULD
EMBARRASS THOSE KUWAITIS ATTEMPTING TO WORK WITH US
AND PERHAPS GIVE CAUSE OF A MINI-CONFRONTATION. IT CERTAINLY
WILL BE USED BY SOME IN NATIONAL ASSEMBLY AND CABINET TO
EMBARRASS KAZEMI AND, PERHAPS, FORCE GOK TO ELIMINATE FORTH-
WITH DISCOUNT AND OTHER PROVISIONS OF AGREEMENT WHICH FORM
BASIS FOR MOST OF GULF'S REAL COMPENSATION FOR TAKEOVER.

5. ASIDE FROM USG CONSIDERATIONS, I REMAIN PUZZLED BY WILLING-
NESS OF GULF TO ACCEPT THE RISKS INVOLVED. CONTRARY TO SUGGES-
TION IN REFTEL (C), DURING PAST WEEK BOTH BP NEGOTIATOR MARSTON-
SMITH AND BRITISH AMBASSADOR LAMB HAVE EXPRESSED TO ME THEIR
CONCERN REGARDING OUR PROPOSED ACTION. THE FORMER DESCRIBES
IT AS "FOOLISH" AND THE LATTER AS "UNWISE." BOTH ARE CONCERNED
THAT IT COULD HAVE ADVERSE IMPACT ON BP AND HMG INTERESTS.
WITHOUT SOLICITATION, BOTH VOLUNTEERED THE VIEW THAT SUGGESTED
DEMARCHE MAY POISON ATMOSPHERE TOWARDS USG AND GULF, EVEN
IF DEMARCHE KEPT CONFIDENTIAL.

6. UNDER ABOVE CIRCUMSTANCES, I SUGGEST THAT DEPARTMENT AND
GULF REASSESS VALUE OF PROPOSED ACTION, WITH LATTER SEEKING THE
VIEWS OF ITS LOCAL REPRESENTATIVES RE POSSIBLE REPERCUSSIONS IN
KUWAIT. IF IT IS DECIDED THAT PROPOSED DEMARCHE IS SUFFICIENTLY
IMPORTANT TO OUR INTERESTS TO ACCEPT RISKS INVOLVED, I RECOM-
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MEND THAT I SEND PROPOSED LANGUAGE TO KAZEMI BY LETTER UNDER
MY SIGNATURE RELIEVING DEPARTMENT AND GULF OF DIRECT RESPONSI-
BILITY. ALTERNATIVELY, DEPARTMENT MAY WISH TO CONSIDER DELAYING
ACTION UNTIL SITUATION IN SAUDI ARABIA AND VENEZUELA IS CLEARER
AND NEW AMBASSADOR HAS HAD TIME TO EVALUATE LOCAL SITUATION. IN
THIS CONNECTION, EMBASSY PRESUMES ANY LANGUAGE WE MAY CHOOSE
TO USE IN RESERVING OUR RIGHTS WITH ABOVE TWO COUNTRIES WILL ALSO
BE EQUALLY APPLICABLE TO KUWAIT. ONE-TIME PUBLIC STATEMENT TO

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THIS EFFECT BY ADMINISTRATION ALSO INVOLVES REAL RISKS, BUT MAY BE
PREFERABLE TO "CONFIDENTIAL" WARNINGS WHICH I PRESUME ARE EN-
VISAGED FOR ALL THREE COUNTRIES.
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, NATIONALIZATION, AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 15 MAR 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976KUWAIT01244
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760097-0418
From: KUWAIT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760361/aaaacbky.tel
Line Count: 119
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: 76 STATE 61188, 76 KUWAIT 1124, 76 KUWAIT 4462
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 19 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 MAY 2004 by ifshinsr>; APPROVED <08 SEP 2004 by ElyME>
Review Markings:

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US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: KUWAIT OIL COMPANY TAKEOVER AGREEMENT
TAGS: ENRG, KU, KUWAIT OIL CO
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006